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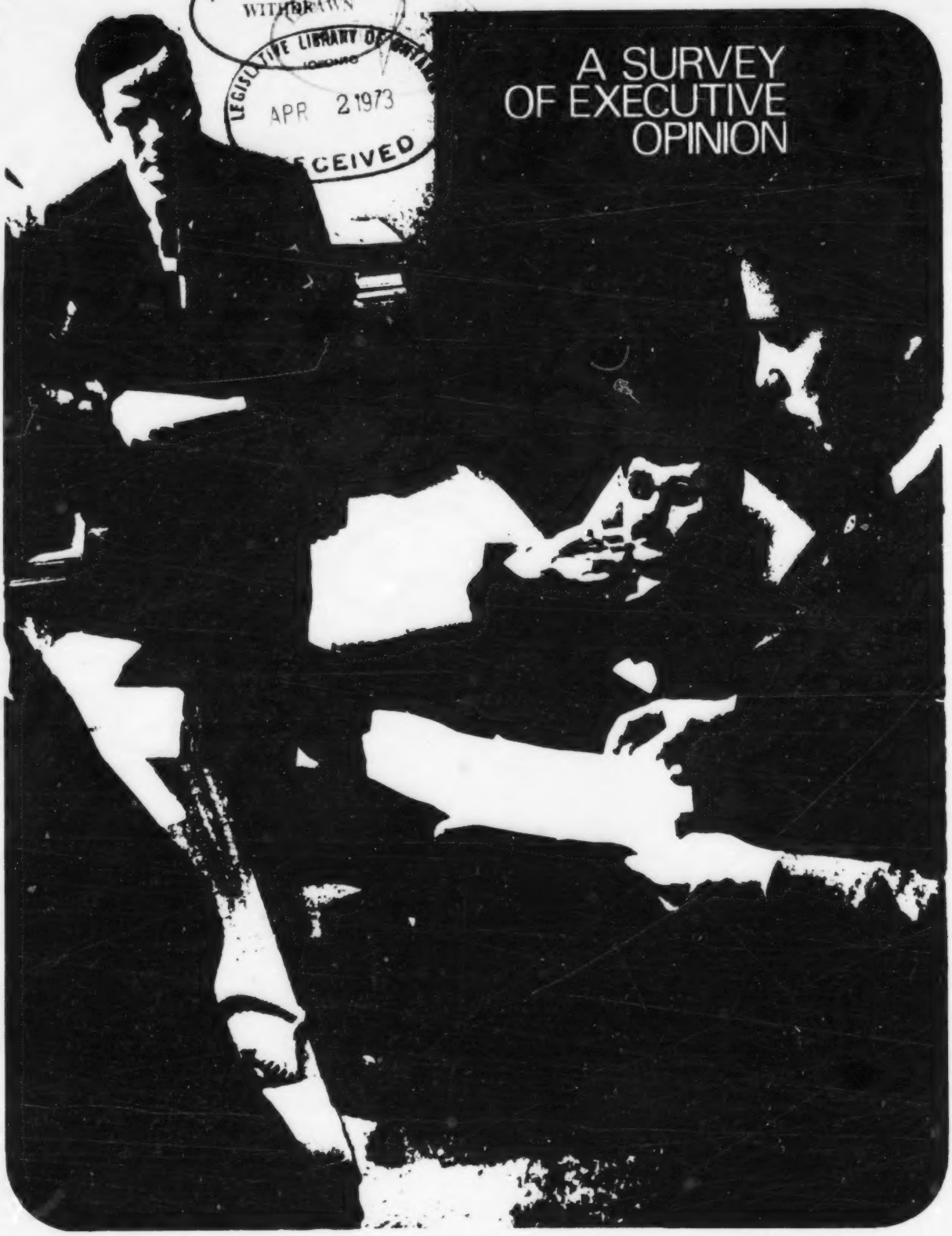
EXECUTIVE REPORT '73



A SURVEY OF EXECUTIVE OPINION

Alberta
INDUSTRY AND COMMERCE

101-06557/

Executive Report - 1973
. . . a survey of executive opinion

Alberta
INDUSTRY AND COMMERCE
February, 1973

Foreword

Alberta's economic prospects as expressed in this report reflect the opinions of over 300 business executives heading prominent Alberta business enterprises.

This report is fifth in a series of publications projecting Alberta's economic future. The objective of this series is to assist Alberta executives in planning for 1973 and beyond.

Please direct all enquiries and comments to:

Alberta

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Introduction

This report presents the results of the third annual "survey of executive opinion" conducted by the Department of Industry and Commerce, and the fifth in a series of "Executive Reports". Included are a review and forecast of economic change as reported by senior executives and representatives of Chambers of Commerce and municipalities in the Province of Alberta. The survey was conducted through a questionnaire mailed to over 450 Alberta executives.

Number of Respondents - By Industry Classification

Industry	Number of Firms Responding
Manufacturing	80
Mining	63
Construction	33
Agriculture	20
Forestry	4
Transportation	21
Communication	7
Utilities	3
Investment, Finance, etc.	23
Trade	42
Recreation and Travel	16
Chambers of Commerce and Associations	10
Total Response	322

Prospects For 1973 ... Continued Expansion

Executives responding to this survey reported favourable performance for their firms in 1972. Expectations for 1973 indicate further expansion following the strength displayed in all sectors of Alberta's economy in 1972. The following review and outlook for Alberta by D.E. Lewis, Q.C., President of the Alberta Chamber of Commerce summarizes the majority of respondents' views on the present and future activity within the Alberta economy:

"The Alberta Chamber of Commerce concurs in the remarks of many Alberta economists that the economy of Alberta has been very strong during the past year and this strength will carry into 1973. We have only to look at leading industries in the Province to see evidence of the upsurge which should lead to a rise in employment.

The agriculture outlook has improved. Although the crop yields have declined this fall as a result of inclement weather, excellent sales have increased farm cash receipts. A strengthened demand and high prices for livestock have also contributed. Herds are being rebuilt and the good export performance by wheat continues as a result of current and new contracts.

The resource industry is in good shape. Oil and gas has seen a steady increase in production and sales. It will achieve the highest annual production in its history. In view of increasing demand for crude within and without the country, the future must be sound. Oil prices are better at the well-head and better gas selling prices should follow. These increases have and will lead to further exploration, particularly in southeast Alberta and the plains area. Sales of liquified petroleum should also benefit by increased prices, new sales and uses for sulphur appear bright. New pipelines on the horizon will add to this prosperity. The coal industry has had the highest production since 1946 and nothing we can see will dampen its prospects.

Building and capital spending continues strong and there are many new projects on the drawing boards. Construction expenditures in 1972 will exceed the 1971 record, although urban dwellings are down as far as the number of new starts is concerned but this should not continue to be the case.

The value of manufacturers' shipments shows an increase and consumer spending is better, both of which indicate a viable industry. Transportation costs for supplies and manufactured goods to markets certainly hamper expansion in the manufacturing and secondary industries, and are equally a deterrent to new industries being established....

Inflation is our major concern and this is a factor which could dampen our optimism for the future. It can seriously influence future development by forcing increases in labour costs and costs of materials and supplies. One result will be a severe drain on available capital sources.

Alberta needs the input of large amounts of capital from outside to develop its natural resources and manufacturing industries. One of the challenges of the Alberta Government will be to attract capital, but at the same time not to tax or discourage resource development or industry in such a way that it loses its competitive advantages....

Our natural beauties have made Alberta one of the leading tourist areas in the world. We see room for further expansion in this and the service industries. The Chamber was disappointed at the loss of the Lake Louise project. However, it is hoped that alternatives will develop to meet some of the problems of overcrowding in parks within Alberta, as their beauties should be open to all Canadians. This can only be achieved with good accommodation and service. In making this statement, we recognize the associated environmental problems.

We reiterate that the strengths of 1972 will flow into 1973, the main question being how much stronger will the economy be in the next year. The ripple effect of an expanding economy cannot but affect all Albertans favourably".

Comments on the performance in Alberta centres in 1972 and the prospects for 1973 were solicited in the survey.

In the southern part of the province, both the Medicine Hat and Lethbridge economies exhibited favourable growth in 1972. The president of the Medicine Hat Chamber of Commerce, Mr. O. Kope, commented as follows:

"The Medicine Hat area has been particularly prosperous in 1972 due mainly to better economic conditions with the addition of new industry made possible mainly by DREE grants. Should this government policy continue we expect more basic industry to follow which will definitely provide more employment and better economic conditions. . . . With the addition of gas exploration and drilling, our new College, the British Army training at Suffield and a reactivated construction industry, the Medicine Hat area can expect a bright outlook for at least a few more years....

Agriculture will also play a big part in the Medicine Hat area .... If present conditions prevail, 1973 will also be a good year for the farmer and rancher".

Mr. L. Singer, President of the Lethbridge Chamber of Commerce, is optimistic about the outlook for 1973:

"Nineteen seventy-two has been a good year, a year of solid but exciting growth for our city of Lethbridge.

Based on this type of momentum and looking at developments that are already programmed for 1973, I can only continue to have an optimistic outlook for the months ahead and predict that it will be one of our best ever years."

The President of the Camrose Chamber of Commerce, Mrs. B. H. Fowler and Mr. B. Bowsfield, City Commissioner, Lloydminster, reported on business conditions in their respective centres.

Mrs. Fowler stated that:

"1972 has been a good year from the point of view of business activity. This reflects a fairly good financial position of the primary agricultural sector of our community, a fairly busy year in the construction industry, plus substantial payrolls in stable institutional-type services (hospitals and schools).

It was significant that virtually all construction in 1972 was residential, both single and multi-unit dwellings. There was virtually no industrial or institutional construction. In spite of national unemployment figures, locally, many firms found it difficult to fill job vacancies.... "

Mr. Bowsfield reported that:

"1972 has been Lloydminster's best year ever economically as attested to by $3.7 million worth of building permits. Alberta as a whole has fared well with growth in every field, and especially in the agricultural field where strong markets have given confidence to the farmer and therefore established a sound base for the whole of our economy....
The growing markets for petroleum products, agricultural products, minerals and forestry products should see Alberta through a year which has not been equalled in the past."

Both Peace River and Fort McMurray Chambers of Commerce presidents, Mr. E. Marshall and Mr. R. E. Duncan, reported good business activity in 1972 and predict sustained growth in 1973.

Mr. Marshall:

"The business tempo quickened in this area and all Alberta in 1972. The strengthening cattle market, excellent wheat and rape markets along with record honey prices contributed to an improvement in the agricultural situation. Although these improvements may be only short run I see no decline in any in 1973...."

Mr. Duncan:

"The year 1972 has been an active one in Fort McMurray. Over 200 new homes... 100 suites in apartments, 50 rooms in a hotel addition, warehouses, approximately 150 trailer stalls, and a large school... were built....

Great Canadian Oil Sands operation has steadily improved and high expectations of showing a profit are close.

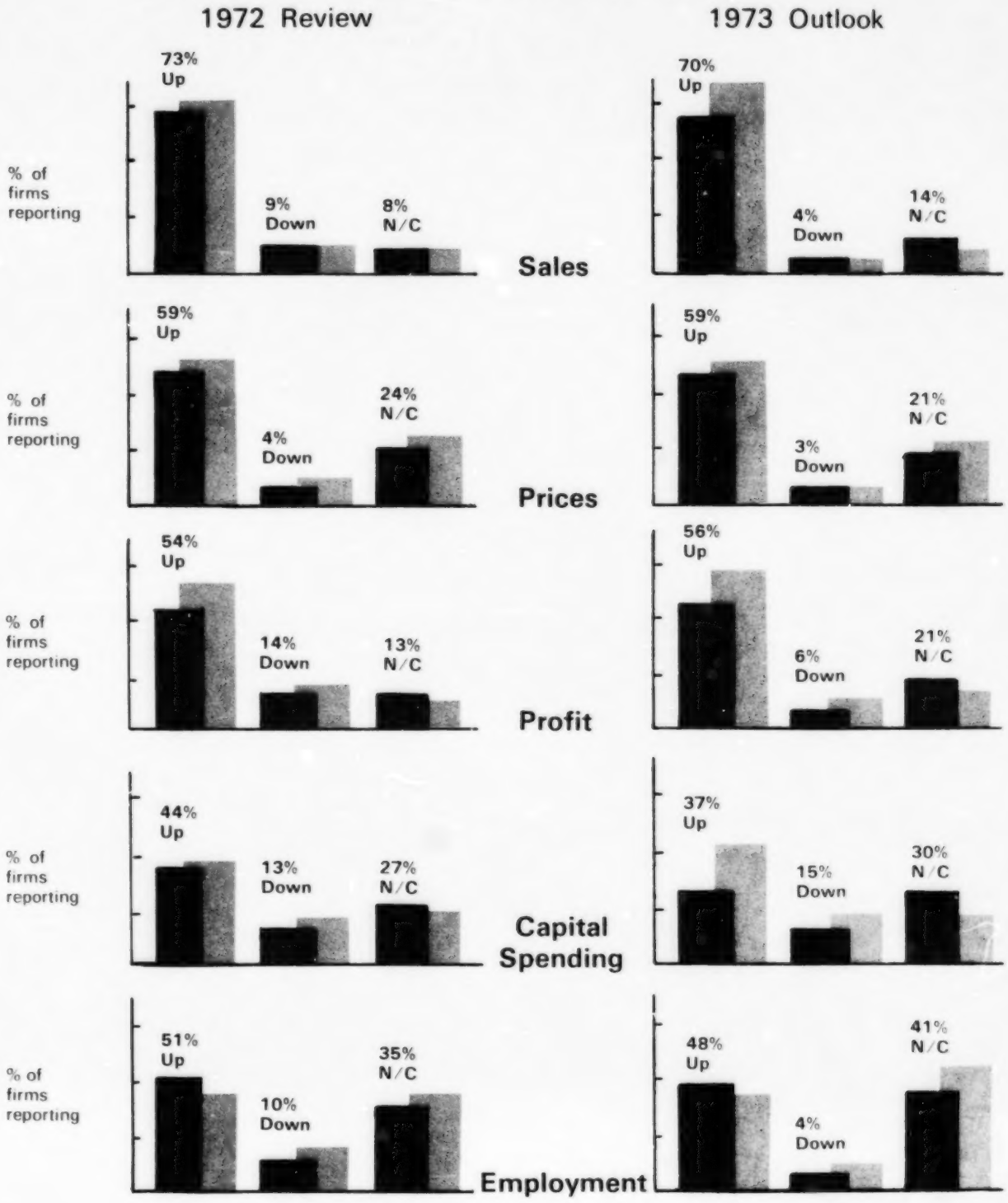
Syncrude's test drag line operation is proving out well, and the use of the proposed much larger unit is proving practical....

Secondary industries, such as metal prefab and welding shops are now in operation and others are underway, which help increase the economy serving the oil sands locally.

In summary, with Fort McMurray population over 8,000... we can expect an active year for 1973.... No doubt Fort McMurray will be Alberta's next city."

A review of the performance of firms at the national level was published by **The Financial Post** in late 1972. While **The Financial Post** survey and the Alberta Executive survey are not directly comparable because of minor differences in methodology, they do indicate similar trends. A comparison with the Alberta poll indicated that performance at both the national and provincial levels has increased significantly from previous year-end surveys. This performance reflects the increase in business confidence that has been apparent throughout Canada during the latter half of 1972.

Prospects for '73 Continued Expansion



Figures are expressed as percent of total Alberta replies

a survey conducted for Alberta only

a survey conducted by "The Financial Post" for all of Canada

Executive Review
1972 vs 1971

INDICATOR		CANADA (Percent)	ALBERTA (Percent)
Sales:	Increased	77	73
	Decreased	9	9
	No Change	8	8
Prices:	Increased	63	59
	Decreased	6	4
	No Change	31	24
Profits:	Increased	69	54
	Decreased	15	14
	No Change	11	13
Capital Spending:	Increased	49	44
	Decreased	23	13
	No Change	26	27
Employment:	Increased	43	51
	Decreased	16	10
	No Change	41	35

Note: Figures are expressed as a percentage of replies (columns do not necessarily add to 100 percent because executives making no estimates are not included).

Executive Outlook
1973 vs 1972

INDICATOR		CANADA (Percent)	ALBERTA (Percent)
Sales:	Increase	85	70
	Decrease	3	4
	No Change	7	14
Prices:	Increase	65	59
	Decrease	3	3
	No Change	32	21
Profits:	Increase	71	56
	Decrease	10	6
	No Change	15	21
Capital Spending:	Increase	59	37
	Decrease	19	15
	No Change	20	30
Employment:	Increase	40	48
	Decrease	6	4
	No Change	54	41

Note: Figures are expressed as a percentage of replies (columns do not necessarily add to 100 percent because executives making no estimates are not included).

On the employment side, 51 percent of Alberta respondents reported increases in employment in their firms in 1972, compared with 43 percent in the national survey. For 1973, the survey results indicate that 48 percent and 40 percent of firms at the Alberta and Canada levels, respectively, anticipate increases in employment.

It is noteworthy that total numbers employed in Alberta and Canada grew by 3.9 percent in 1972, accompanied by labour force growth of 3.6 percent and 3.0 percent, respectively. For 1973, the rates of increase in both total employed and labour force in both economies are expected to be similar.

A recurrent theme expressed by many respondents was the difficulty of hiring qualified labour in 1972, with the same situation expected again in some industries in 1973. This is reflected by an increase of close to 50 percent between the second and third quarters of 1972 in the estimated number of job vacancies in all Alberta industries, as reported by Statistics Canada in a recent job vacancy survey. Close to a 60 percent increase was estimated in all Canadian industries in the same report.

A comparison of the 1972 outlook reported for Alberta in last year's report and the review of 1972 polled this year indicates a more favourable performance in 1972 than anticipated. A greater percentage of respondents indicated increases in sales revenue in 1972 than had predicted them, due in part to substantial gains in consumer demand. Prices were up more than expected, influenced by rapidly rising labour and material costs and increased market demand. Escalating operating costs were a factor in profit expectations being met by fewer respondents-indeed, more respondents indicated decreases than forecast. Significant gains were noted in capital spending and employment levels. At the time of last year's survey, restrictions imposed through the U.S. Economic Program (August 15, 1971) were still in effect and were considered infuential in dampening both capital spending and employment intentions. In late 1971, these restrictions were removed, providing the opportunity for firms to regain lost or reduced revenue. Although few Alberta firms were adversely affected by these restrictions, capital spending plans and expansion of employment were delayed because of the uncertainties engendered by these U.S. measures.

Executive Outlook 1972
vs
Executive Review 1972

Alberta

Indicator		Last year's Survey outlook for 1972 (Percent)	This year's Survey review of 1972 (Percent)
Sales:	Increase	68	73
	Decrease	7	9
	No Change	16	8
Prices:	Increase	50	59
	Decrease	8	4
	No Change	34	24
Profits:	Increase	56	54
	Decrease	8	14
	No Change	17	13
Capital Spending:	Increase	31	44
	Decrease	15	13
	No Change	35	27
Employment:	Increase	42	51
	Decrease	6	10
	No Change	45	35

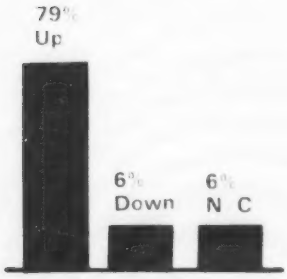
Note: Figures are expressed as a percentage of replies (columns do not add to 100 percent because executives making no estimates are not included).

The following review and outlook by major industry group generally indicates a successful year for respondent firms in 1972. With the exception of continuing price pressures, sustained labour wage demands and the growing concern over the difficulty in hiring qualified persons, most respondents expressed optimism for their firms' performance well into 1973.

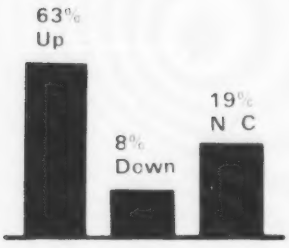
MANUFACTURING INDUSTRY

1972 Review

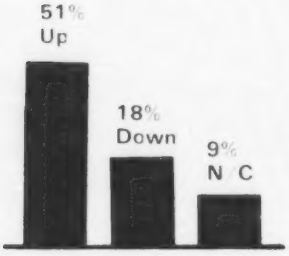
(as a % of Replies) [1]



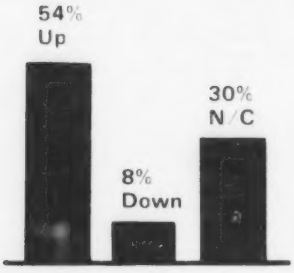
Revenue Up [2]
+ 3% to + 12%



Prices Up
0% to + 5%



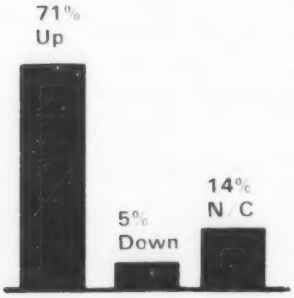
Profit Up
0% to + 15%

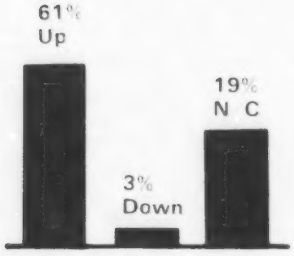


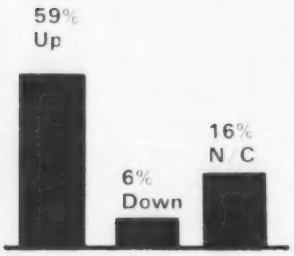
Employment Up
0% to + 5%

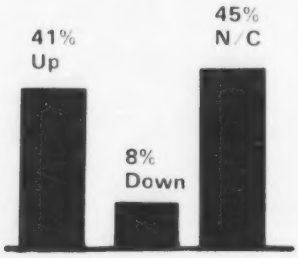
1973 Outlook

(as a % of Replies)









1 See Appendix for definition.
2 Range given is mid 50% range. See Appendix.

Manufacturing

Manufacturers' shipments to the end of 1972 were forecast at over $2 billion, an increase of close to 14 percent over 1971 shipments. The strength displayed in consumer spending and the level of price increases experienced last year are expected to continue well into 1973, both influencing the upward trend in the value of shipments. This was reflected in responses to this survey, with 79 percent of the respondents indicating increases in sales revenue in 1972 over 1971. Much of the strength appears to have been in the food and beverage sub-group. Mr. A. J. E. Child, President, Burns Foods Limited of Calgary states:

"Demand for all food products continued very strong in 1972. Despite higher prices consumers ate more beef than ever before. Exports of pork to the United States and Japan added to the demand and further raised the level of pork prices which were already high by reason of lower marketings of hogs.

On the supply side there has been some increase in the numbers of cattle coming to market, but not enough to satisfy the Canadian demand for beef. Consequently, cattle and beef prices have been high all year. There is much talk in some circles of promoting the exportation of beef to Japan but this ignores the fact that Canada has a shortage of beef and must import in order to meet domestic requirements. As to hogs, there has been a decline in production all year, with hog prices going much higher than in 1971. This has meant more expensive pork, hams and bacon, which has had some effect on consumption.

Lower throughput of hogs has no doubt impaired the efficiency of some plants. The prospects for the first half of 1973 are for a further small decline in hog production. This may be offset in part by the importation of American pork. Cattle deliveries could increase in 1973 although there are somewhat lower numbers at present after heavy fall runs. Demand for meat products, domestic and export will continue strong next year. Food supplies generally have been short resulting in high prices, but this condition could be eased late in 1973."

The majority of firms surveyed in the manufacturing industry have sales revenue of between $1 million and $10 million, and employ between 51 and 100 persons. In general, the largest percentage increases in sales revenue and profits were experienced by firms employing over 50 persons. The major factor influencing sales increases was reported to be increased market demand. A large number of firms indicated an expanded production to meet the increased demand. Capital investment expectations for 1973 in the manufacturing industry could be classed as moderate, with nearly 45 percent of the respondents expecting increases and another 25 percent indicating no change from the year before. Most of the increase in 1972 was spent in expansion of facilities and to increase efficiency within the firms. Most firms spent up to $100,000, financed mainly by retained earnings. Similar spending patterns are expected for 1973.

Sales prospects for 1973 are optimistic with sales revenue increases expected by over 70 percent of the respondents. For 1973, almost 50 percent of the respondents expect continuing growth in sales outside of Alberta. Prices are expected to increase by up to 5 percent; profit and employment could rise by up to 15 percent and 5 percent, respectively. Total manufacturers' shipments in 1973 are forecast by respondents to increase by between 6 and 8 percent; however, this estimate is considered conservative. All indications point to a greater than 10 percent increase in the value of shipments in 1973, reflecting the continuing strength in the Alberta economy.

Sales Revenues Of Manufacturing Industries By Type

Description	Average of Predictions for 1973[1]	Value of Manufacturers' Shipments 1972[2]	1973 (Forecast)
		$ 000	
Food and Beverages	+ 8%	990,000	1,069,000
Textiles, Clothing and Knitting	+13%	54,000	61,000
Wood Products, Furniture and Fixtures	+12%	153,000	171,000
Metal Fabricating	+ 5%	154,000	162,000
Machinery and Equipment	+11%	140,000	155,000
Electrical Products	+14%	35,000	40,000
Non-metallic Mineral Products	+ 6%	133,000	141,000
Others not included in executive survey assuming same performance in 1973 as experienced in 1972	---	711,000	711,000
TOTAL	6.0%	2,370,000	2,510,000
Second Estimate[3]	7.7%	---	2,552,000

Source:

1 "Executive Report - 1973" - responses to sales revenue questions
2 Alberta Bureau of Statistics year end estimates
3 Estimated increase based on executives' forecast of economic indicators for 1973

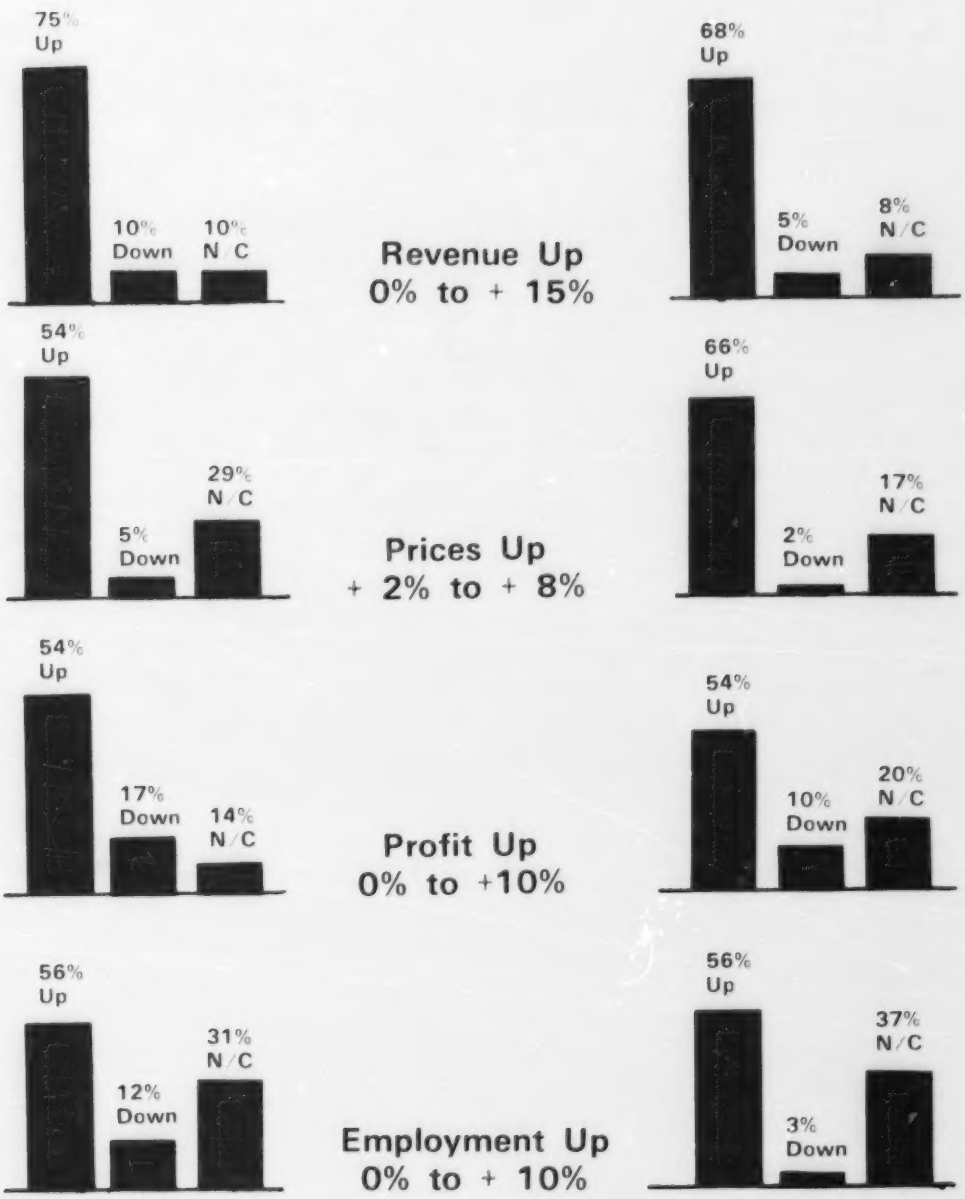
Petroleum and Natural Gas INDUSTRY

1972 Review

(as a % of Replies)

1973 Outlook

(as a % of Replies)



Mining

Petroleum and Natural Gas

Mr. L. M. Rasmussen, President, Pacific Petroleums Ltd., discussed the performance of the industry in 1972 and his expectations for 1973.

He stated that:

"1972 in retrospect has been a good year for the Canadian economy, and the petroleum industry has benefited from the growing demand for its products which led to increased interest and activity in northern areas.

While the outcome of the federal election and some provincial elections has created some uncertainty for Canadian business, the strength of the general economic pattern suggests that 1973 should be a year of substantial growth - particularly in the petroleum industry. A high rate of growth will, of course, depend partially on solving the problems involving the future energy supply and markets.

Demand for natural gas continues to rise at accelerating rates. The need for higher gas prices has been clearly established but controversial issues as to the amount and timing of such increases have yet to be settled, although some minor changes have been accepted.

Generally higher field prices of gas will ultimately be obtained, thereby reinforcing the economic justification for major exploration and development, including costly pipelines from frontier areas where substantial reserves have been found.

The industry will also need to know, in addition to guidelines previously announced, what specific rules and regulations will apply to the development of resources. We need to know the specific parameters for ownership and financing. Restrictive policies concerning environmental protection should be clearly defined and stabilized to the greatest extent possible commensurate with the objectives.

The recent increases in prices for crude oil and condensate, although modest, are most welcome at this time since they help to offset continuing increases in costs over which the industry has little control. As with natural gas, they will also help to restore the exploration incentive and to attract the capital needed for development.

Thus, while there are difficulties, the industry considers none of them to be impossible of solution, and is prepared to expand activity and expenditure as rapidly as the path of development can be cleared of obstacles."

An officer of another leading oil firm commented that:

"As was the case in the previous year, higher sales revenues and generally higher profits for producers were recorded in 1972. Increases were mainly attributable to increased sales and production volumes. As a result of the lack of significant oil discoveries within the Province in recent years, exploration drilling was up in 1972 relative to 1971. The increase reflected intensified interest in the search for natural gas reserves because of strong market demand and widespread expectations that the trend to higher gas prices will continue.

Anticipated increases in hydrocarbon liquids and natural gas prices coupled with projected higher market demand for these products should be reflected in higher producer earnings during 1973. In addition, some further increase in Provincial exploration effort may be experienced during 1973 under the stimulus of these projected demand and price increases.

Pending government legislation, if implemented in the present form, may somewhat dampen investment incentive in the province over the next few years. Specifically, pending federal legislation dealing with foreign investment and the recently enacted provincial mineral taxation legislation are two items which will tend to create investment uncertainty, although the negative effects will be partially offset by anticipated price and market demand increases."

The petroleum industry in Alberta experienced production increases in excess of 20 percent and 16 percent for crude oil and natural gas, respectively, for the first 11 months of 1972. Sales of both products increased correspondingly. The number of wells drilled and total footage drilled were up significantly over 1971.

Prospects for production and sales of these products are good with increases in 1973 not expected to be less than those experienced in 1972. Exploration activity in Alberta is expected to continue strong. Sixty-eight percent of respondents expect price increases in 1973 of between 2 and 8 percent. Revenue, profits and employment are also expected to increase by up to 10 percent.

Capital investment in 1973 is expected to be less than in 1972 with the majority of expenditures used to increase capacity and efficiency. Nearly all firms indicated both 1972 and 1973 capital expenditures were financed through retained earnings, supplemented by banks and debenture issues.

The Athabasca tar sands near Fort McMurray are expected to provide significant benefits to the Alberta economy in coming years, assuming further major projects are undertaken. Mr. F. K. Spragins, President, Syncrude Canada Limited provides a look at the prospects for tar sands development:

"1972 was a year of increased activity with respect to the development of the Athabasca tar sands. Syncrude Canada Ltd. increased its own staff by 85 percent and in addition maintained management and consulting groups totalling over 100 people. Syncrude's total expenditures for 1972 increased almost five fold as compared to 1971. However, 1973 promises to be one of the most crucial years in the long history of attempts to make large-scale oil production from the Athabasca tar sands into a reality.

The tar sands now stand at a major crossroads. By August 1973, the backers of the Syncrude Project must decide whether to proceed into construction of their proposed facility.

In the early months of 1973, we hope to receive the vital cost information on which this decision will be based - information on provincial royalties, information on construction costs, and information on operating conditions under severe constraints of weather and soils.

If the Syncrude Project goes ahead, it seems quite possible that, within the foreseeable future, other major investors now studying the tar sands may move projects off the drawing boards and into reality. If this happens, the tar sands could become a major source of industrial development and income for Alberta and Canada.

If the Syncrude Project does not proceed, of course, it would likely constitute a major set back to investor interest in early tar sands developments.

The Syncrude Project is, therefore, a test case in joint private enterprise - government planning and co-operation in Alberta. I am hopeful that 1973 will show that such joint planning and co-operation can work to the mutual advantage of all, delivering maximum benefits from the tar sands for Albertans and Canadians."

Forecasted Changes in Various Economic Indicators for the Oil and Gas Industry

	Percentage Change 1973 - 1972
Oil Production (Crude Oil & Equivalent)	+10%
Gas Production	+ 8%
Footage Drilled	+ 7%
Number of Wells Drilled	+ 3%

Coal

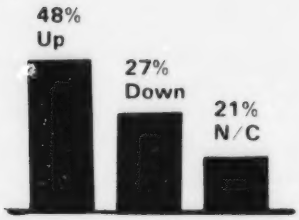
Production of coal to the end of November, 1972 was nearly 15 percent above the same period in 1971, with sub-group totals as follows: bituminous - an increase of 27 percent and sub-bituminous - up 3 percent. Similar increases in production are expected for 1973. The prospects for 1973 and beyond are positive, as stated by the president of a major Alberta coal firm:

"In 1972 an over-supply of coking coal was obvious throughout the world, however, economic indicators suggest that the tide has now turned and steel production should increase. In Japan it is expected to be at the 105 million ton level in 1973, rising to 130 million tons by 1975 so interest for coking coal should develop considerably in 1973. Thermal coal should also show a marked increase in 1973 as reliance on coal for thermal uses increases."

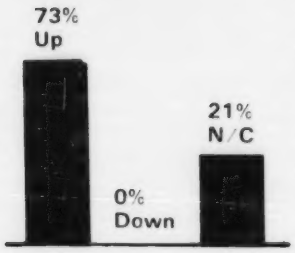
CONSTRUCTION INDUSTRY

1972 Review

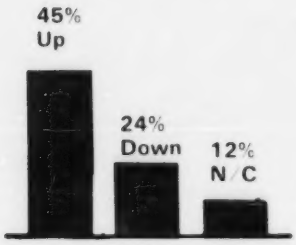
(as a % of Replies)



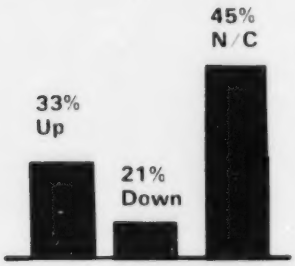
Revenue Up
0% to + 15%



Prices Up
+ 5% to + 10%



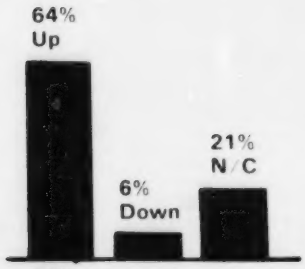
Profit Up
0% to + 20%

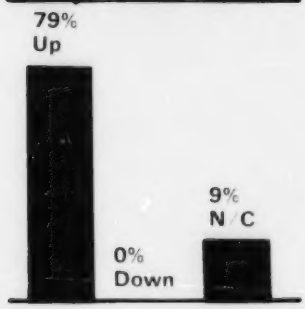


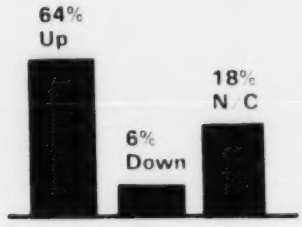
Employment Up
0% to + 10%

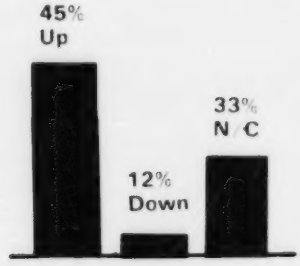
1973 Outlook

(as a % of Replies)









Construction

Construction industry respondents expect an improved year in 1973. Increased revenues and profits are expected by two-thirds of the respondents, attributable to the favourable performance of the Alberta economy and anticipation of increased capital expenditures on construction by government. Optimism for 1973 was expressed by senior officers of three leading Alberta firms closely associated with the construction industry.

The vice-president of a leading supplier stated that:

"The economic growth experienced in Alberta in 1971 and 1972 is expected to continue in 1973. There will be an additional stimulus from increased activity in the North and the initial development of the Syncrude project in the Athabasca tar sands.

In the construction industry, it is anticipated that the level of commercial and industrial activity will increase, however this will be somewhat offset by a decline in the residential sector.

Coincidental with the decline in activity in the residential sector will be a decline in the number of housing starts in Alberta. It is also probable that there will be a shift in the ratio of apartments to single unit dwellings. The shift will be towards the single unit structures.

The expansionary fiscal and monetary policies of the federal government are expected to continue in 1973. This will reinforce the impetus being built up in business capital outlays. The overall effect on Alberta's economy will be increased capital investment in all sectors with the possible exception of mining, where metal prices are depressed.

Inflationary pressures are expected to increase in 1973. This may require a slight adjustment in the money supply or interest rates, however the monetary policy will continue along an expansionary path."

A consulting firm president reported that:

"As structural engineering consultants, we were hard hit by the cutbacks of the various levels of government for capital expenditures for buildings during 1972.

It seems that a number of government agencies at all levels, as well as the private sector, are taking a more optimistic look for 1973 and therefore we can anticipate an upswing in the construction activity. The consequence of this upswing should create a volume of work for the various design segments of the construction industry and therefore we look to an improved position in 1973."

The vice-president of a leading engineering construction firm indicated that:

"The Canadian construction industry has continued to be regulated by various government bodies in order to control the economy. Evidently the economy requires a 'shot in the arm' and consequently it appears that during 1973 a substantial amount of government-sponsored construction activity will be undertaken.

While this prospect of a substantial increased work load . . . will augment . . . the industry, it perpetuates the boom and bust cycle of the construction industry, which has been historical.

We expect that the spiralling cost of labour and escalation of material prices which we have noted during the past several years will continue into 1973 and beyond. . . ."

Nearly one-half of respondents engaged in commercial construction reported increases in sales revenue and profit in 1972 with more firms expecting increases in 1973. The outlook for prices is for further increases in 1973, with capital expenditures and employment to remain steady to the end of 1973.

In engineering construction, the firms were split over increases and decreases in 1972, with prospects for improvement definite for 1973. Profits and prices increased in 1972 and the same is expected in 1973 by the majority of firms. No changes in employment and capital expenditures were reported for 1972 and none are anticipated for 1973.

The total number of dwelling starts for 1972 were 15 percent below the record level experienced in 1971. Mr. M. Chornoboy, General Manager, Quality Construction Ltd., and Mr. K. Springer of Springer Construction explained why the decrease occurred and discussed the outlook for residential construction in 1973.

Mr. Chornoboy reported that:

"1972 saw a return in Calgary to concentration on single-family housing and away from multi-family. A continuing demand for detached housing during 1972 coupled with potential buyers' ability and willingness to meet the down payment and mortgage requirements resulted in steady sales of new houses.

1973 is expected to meet or slightly exceed the sales levels of 1972, but much will depend on the first mortgage (CMHC) interest rates...."

Mr. Springer stated that:

"In 1972 the overall economic climate in Alberta, resulting in strong demand for single family dwellings, was a major factor in our industry. Other important factors were reduced mortgage rates and a steady supply of mortgage funds, which allowed programming.

The supply of serviced land was not sufficient, and the shortage accounted for some of the increase in prices.

The increase of lumber prices was the major factor responsible for the rise in product prices. Of course, almost all costs of labour and materials have risen, but not to the same extent as lumber.

For 1973, we anticipate a market as strong as 1972. The supply of mortgage funds seems ample for most of the year unless major influences in the money market disturb the sources of funds. Serviced land will be short in supply and could very likely become the major factor controlling the ability of this industry to supply the market.

Material and labour prices will rise, hopefully in an acceptable manner."

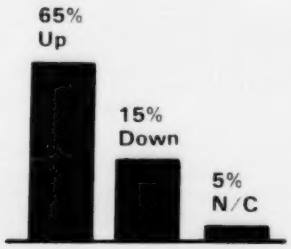
Forecasted Changes in Various Economic Indicators for the Construction Industry

	Percentage Change 1973 - 1972
Capital and Repair Expenditures	+ 6%
Value of Building Permits	
Commercial	No Change
Industrial	+11%
Residential	+11%
Institutional and Government	+11%
Urban Dwelling Starts	- 6%
N.H.A. Mortgage Interest Rate (Average quarterly rate)	9.14%

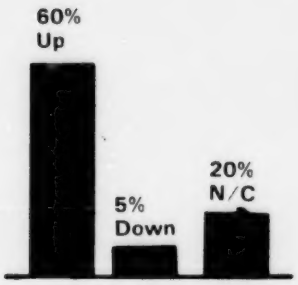
AGRICULTURAL INDUSTRY

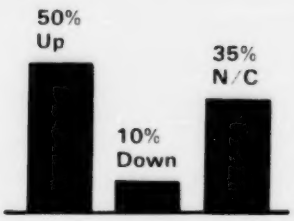
1972 Review
(as a % of Replies)

1973 Outlook
(as a % of Replies)

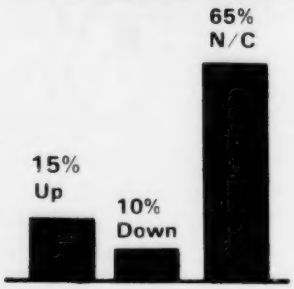


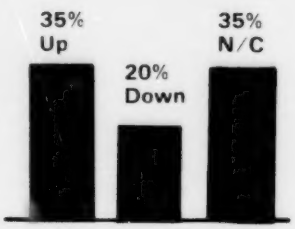
Revenue Up
0% to + 15%



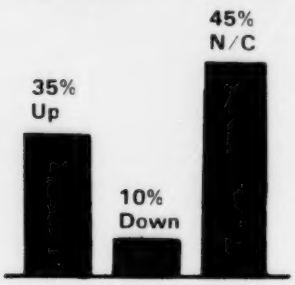


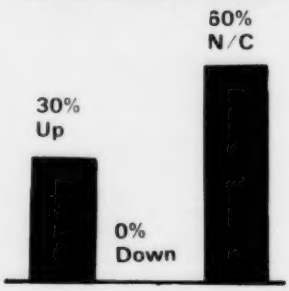
Prices
No Change



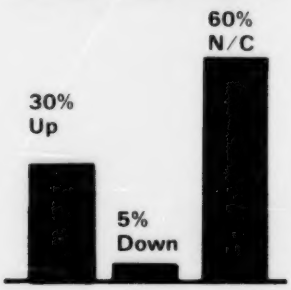


Profit Up
0% to + 10%





Employment
0% to + 4%



Agriculture

Farm cash receipts in 1972 were close to 14 percent above 1971 due to significant increases in livestock and products receipts and in supplementary payments. The outlook for all major Alberta crops in the next six months is optimistic, with high prices expected to prevail for each. Livestock prices should remain high with the overall increase in market volume to be close to 7 percent above 1972. Marketing of hogs is expected to be strong until mid-1973 with relatively firm prices and good domestic and foreign demand. Given these prospects, it is expected that farm cash receipts will be maintained at levels at or slightly above those experienced in 1972.

These favourable prospects for the industry are supported by Mr. C. L. Sibbald, President, The Sibbald Group:

"A dramatic upswing in grain prices dominated late 1972. Because most of this volume is handled by the Canadian Wheat Board, producers will not get paid for this until after July 31, 1973, unless the Board makes an interim payment. Feedmills in Alberta felt the impact of price rises in the fall of 1972 when Wheat Board Minister Otto Lang boosted initial payments to producers. Farmers have delayed taking cash in late 1972 for fear of paying too much income tax. Prices are good, so the delayed effect should make a good first quarter 1973 in terms of cash returns to farmers. Second quarter will continue strong as livestock prices early in the year should be good.

Hog farrowings in the U.S. and Canada are up. In spite of higher costs of feed grains, livestock numbers should continue to increase. Red meat demand is strong, and prices are buoyed up by U.S. demand as well.

North America is not short of feed grains, in total. Corn is in good supply in the U.S., and they will export some millions of bushels into Canada. Export demand is temporarily putting upward pressure on grain prices, but these could ease...."

An officer of a leading provincial marketing agency supported Mr. Sibbald's views:

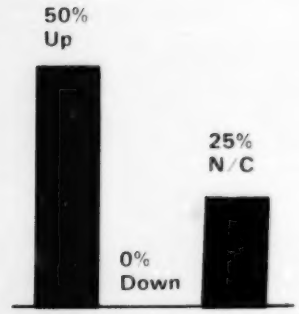
"1972 was basically a banner livestock year with the largest benefit probably derived by the seller of livestock. The increased movement of grains, especially feed grains, changed the basic feeding pattern from the small feeder who merchandised his grain through livestock to the larger feeder, who was more dependent on buying his feed supplies. The smaller mixed farmer who would ordinarily buy a few calves to feed surplus grain saw the prospects brighten to unload whatever surplus he did have, plus the fact that the high price of calves made the prospect of a leisurely winter with neither grain nor livestock and money in the bank. The price of feeder cattle and calves during the fall of 1972 negated the chances of large profits being realised from a livestock feeding operation. The hog picture was extremely bright during the latter half of 1972, which might bring some of the smaller producers back into production. Again the high price of grain, from a feeding standpoint might diminish the usual pattern of the return of the 10 sow man.

The picture for 1973 appears to be favourable with continuing high livestock prices expected. With the increased feeding of livestock in larger numbers and fewer hands available a more efficient marketing system for butcher cattle will need to be studied closely. The decreasing number of heifer calves moving through normal market channels, plus a decline in the numbers of heifers being fed for beef would indicate a substantial build-up in the basic cow herd. This build-up which should commence to be felt by 1974 will certainly increase calf availability in the next few years. It will be interesting to see if the increase in supply will continue to realize prices high enough to make increased operations economically viable. We expect the normal increase to be readily absorbed by both an increased domestic and foreign demand."

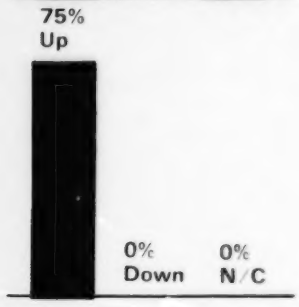
FORESTRY INDUSTRY

1972 Review

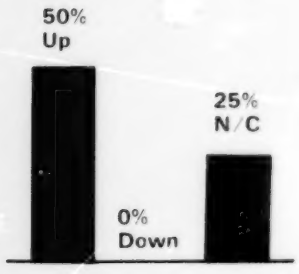
(as a % of Replies)



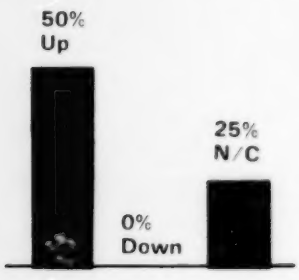
Revenue Up
+ 5% to + 12%



Prices Up
+ 10%



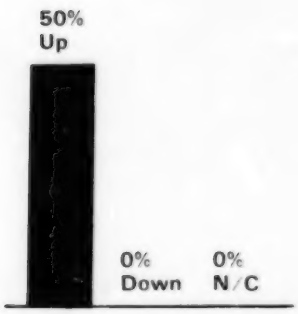
Profit Up
+ 15%

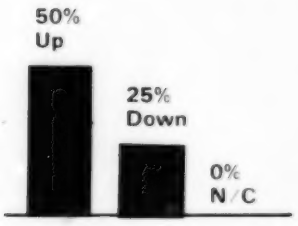


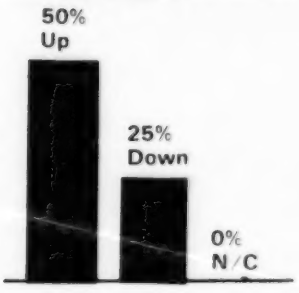
Employment
No Change

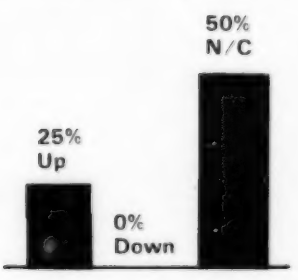
1973 Outlook

(as a % of Replies)









Forestry

Lumber prices were at an all-time high in 1972 due to the strong demand for residential construction in western Canada and the mid-western United States. Lumber exports to the end of November, 1972 were 23 percent above the same period in 1971. Total sales volumes were down slightly, but the high prices resulted in significantly increased returns to Alberta producers.

A favourable review of 1972 and a discussion of problems anticipated in 1973 are provided by two officials of leading Alberta forest products firms.

An official of a northern Alberta firm stated that:

"Although costs of production escalated rather significantly during 1973, the high selling price resulted in favourable results for the lumber industry. Sales values in the lumber industry are well known for their cyclic nature. Present indications are that 1973 prices will be somewhat lower than those of 1972.

As a major exporter, parity with the U.S. dollar is a problem and we cannot afford having our dollar at a premium over the U.S. dollar.

The largest single impediment in reaching our goals in production and in sales in 1972 has been a shortage of workmen. All indications for 1973 are that the situation will be much worse. Shortages presently exist in our work force in the area of regular labour, millwrights, mechanics, electricians and welders as well as heavy duty equipment operators, truck drivers and power saw men. This continual shortage in the work force is hindering maximum production in the industry and is completely imcomprehensible in relation to government statistics regarding welfare and unemployment."

Mr. F. N. Pinnell, President of Swanson Lumber Co. Ltd., reported that:

"The lumber industry had an outstanding year in 1972. Lumber prices reached an all time high. Combined effects of record housing starts in both Canada and U.S.A., labour problems in B.C. and restricted U.S. production due to profit restrictions, caused strong demand and short supply, resulting in the high prices.

At the close of 1972, prices have levelled off below the peak reached in October, but all indicators lead us to expect continued strong demand and constant prices through 1973. Profits will be down as costs have risen sharply."

Rising personal incomes and the general expansion of Alberta's economy will be important factors in the demand for lumber in 1973. It is expected that the volume of single dwelling starts will be strong not only in Alberta, but in the mid-western United States, sustaining high sales revenue levels in 1973.

Inventory build-up for the new pulp mill near Grande Prairie and for the Hinton mill is underway, and is expected to push pulpwood production in Alberta to new highs.

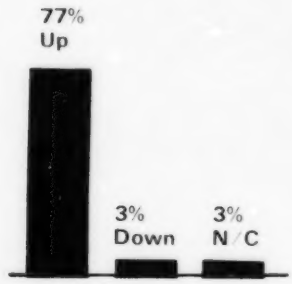
Forecasted Changes in Various Economic Indicators for the Forestry Industry

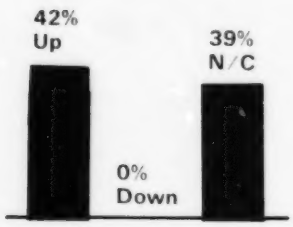
	Percentage Change 1973 - 1972
Lumber Production	+ 7%
Lumber Sales	+16%
Lumber Exports	+ 9%

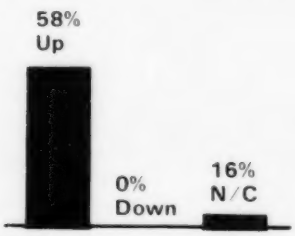
Transportation, Communications & Utilities INDUSTRY

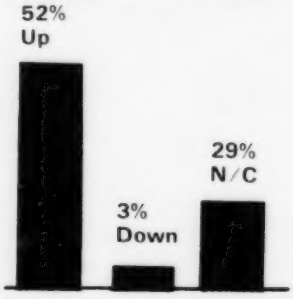
1972 Review

(as a % of Replies)









Revenue Up
+7% to +15%

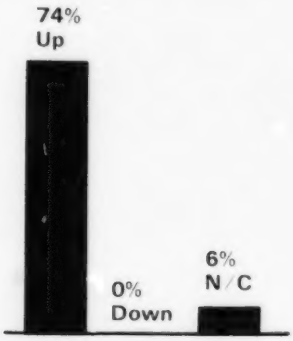
Prices Up
0% to +8%

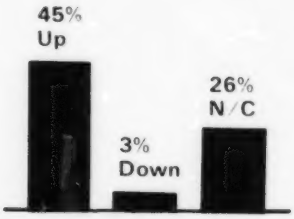
Profit Up
0% to +13%

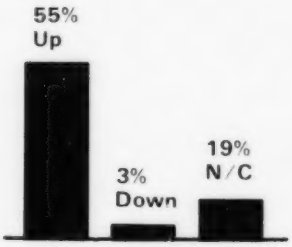
Employment Up
0% to +8%

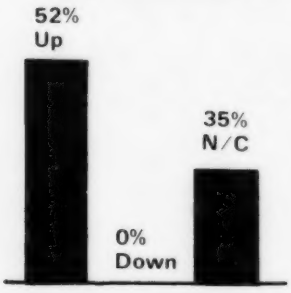
1973 Outlook

(as a % of Replies)









Transportation, Communication and Utilities

Transportation

Increased rail traffic was a direct result of the growth in the economy in 1972, according to J. H. Spicer, Vice-President, Canadian National Railways. This growth in shipments is expected to continue in 1973.

"1972 was a year of strong growth in the general economy and this growth was reflected in a major transportation market for almost all products.

Grain shipments continued at a very high level and there was an encouraging improvement in the demand for pulp and paper products. Lumber sales were at an extremely high level reflecting significant improvement in housing starts in both Canada and the United States. Fertilizer and sulphur also were marketed more successfully than had been anticipated. Production difficulties in the coal industry were largely overcome and shipments approached levels contracted for with the Japanese.

1973 is expected to show the continued strength of the general economy. It is expected that lumber shipments will continue at high levels though it is unlikely that a similar year over year gain will be achieved in 1973 to that experienced in 1972. The pulp market is expected to continue its improvement and of course the volume shipped from Alberta should increase significantly with the Procter and Gamble plant . . . coming into production in the latter part of the year.

It is expected that sulphur movements will continue to increase in volume though stockpiles will continue to grow.

It is anticipated that world demand for grains will continue at high levels. Until final figures are available for shippable stocks by type and these figures related to market demand, the total movement cannot be predicted. The full effect of the extremely poor harvesting weather on both quantity and grade has not been assessed but this could have serious implications for the total Canadian level of sales. Despite these uncertainties, it appears as if grain will move at near record volumes.

Improvements are expected in the movement of coal as production difficulties continue to be overcome. It is not expected that any major new mine will be coming on stream during the year.

There is of course, continuing concern about inflation and the value of the Canadian dollar. Both these problems are recognized and it seems reasonable to assume that the measures planned will result in Canadian products remaining competitive in world markets.

All in all 1973 looks like another good year."

Continued growth is also expected by R.T. Eyton, Vice-President (Northern Region), Pacific Western Airlines Ltd.

"The strong Alberta economy which supported airline services in 1972 is expected to provide the same degree of underlying strength in 1973.

Specifically, the resource oriented industries within the province created the major impetus for increased services. With the many major developments pending in Northern Alberta and in the far north, it is expected that many services will require further expansion this year. Such expansion will require additional capital expenditures, increases in staff and should permit further improvement in both the quality and frequency of airline services."

In spite of optimism for 1973, a representative of a leading interprovincial trucking firm indicated the problem of obtaining a sufficient supply of labour.

"Ironically, with our country allegedly being faced with high unemployment, we found 1972 to be an extremely difficult year to obtain suitable employees, not only willing to work, but desirous of being trained to our requirements.

Considering the current national political scene, we do not anticipate a significant change in the attitude of either our politicians or the unemployed to reverse the current employment trend.

Because we are in an extremely high labour oriented industry (55 percent labour to revenue), our expansion in 1972 was hindered somewhat by lack of personnel and we also foresee this problem being applicable to 1973.

In our budgets for 1973, we have allowed for a most optimistic increase in total revenue and all indications within our Company and the industry at this late date in 1972 still seem to substantiate our projections.

We anticipate an increase in the gross vehicle weight allowances on the highways in Alberta to meet that of our British Columbia neighbours. If this legislation is approved, not only our industry, but the Alberta economy, in general ... will certainly benefit.

We are concerned, however, with the federal legislation of the Labour Act and the effect it will have on our industry throughout Canada."

Nearly three-fourths of respondents in this group reported increases in sales revenue in 1972 and expect the same in 1973. Profit increases were reported and predicted by one-half of the respondents, with a corresponding number anticipating increases in prices. Employment levels will remain close to the 1972 experience, with "no change" expected by over 20 percent of respondents.

Communication

The majority of respondents in this industry were commercial radio stations and newspapers, all of whom reported a profitable 1972, with the same number looking for similar performance in 1973.

The general health of the economy is reflected in the outlook for advertising agencies, as indicated by Mr. R. D. Watson, President, Robert D. Watson Advertising Ltd.:

"As a general rule advertising agencies are amongst the first of the support services to secondary and heavy industry to feel the impact of buoyant or depressed economic trends.

All indications are of industry preparing for improving markets, with long term optimism as the general rule. Concern increases about inflation, not only increasing labour and operating costs but poorer quality control and lower quality of material input...."

Utilities

The current and growing importance of electricity in Alberta's economic future is discussed by A. W. Howard, President of Calgary Power Ltd.:

"The use of electricity in Alberta continues to expand at a rapid rate that is some 50 percent above the national average. This high rate of growth (currently over 11 percent) has been largely stimulated by the oil and gas industry which continues to need increasing amounts of electricity for natural gas processing, oil refining, oilfield pumping, and pipelining. In addition, a growing population, rising standards of living, more industrialization, and a public awareness for the need to upgrade the environment are important reasons for the greater use of electricity. Based on present trends, it appears that the total generating capacity of Alberta will have to be doubled over the next six or seven years.

The cost of producing electricity traditionally has declined, due mainly to economies of scale, greater efficiency of operation, improved technology and general system developments. These cost benefits in large measure have been passed on to the consumer over the years in lower rates. Since the mid 1960's this downward trend has reversed itself, which has created strong and unrelenting upward pressures on the cost of producing electricity. A pervasive inflation, the high cost of new capital, the impact of environmental conservation and the rising cost of equipment and services have all been major factors in raising electric generating and distributing costs to new and substantially higher levels. At the moment although revenues are continuing to rise, expenses are rising even faster so that utility earnings have failed to keep pace.

The availability of skilled construction workers in the province is a matter of concern. The construction of electric power plant, expansion in the oil and gas industry and for new industrial plant generally coupled with the likelihood of major pipeline programs in the north will result in heavy demands on the skilled trades. These skills are already in short supply and the amount of activity in prospect will worsen the situation. Furthermore, there appears to be little possibility of significant relief from the adjacent areas."

Prospects for natural gas production and consumption was provided on behalf of Canadian Utilities Limited by Mr. E. W. King, President:

"Fully adequate supplies of natural gas were available to meet the needs of the Alberta consumer during 1972; however, government natural gas policy studies and statements, particularly in the area of gas field prices, made it difficult for local suppliers to enter into additional contracts for additional long term supplies. Resolution of this problem is expected early in 1973, when details of the government's new natural resource and royalty plan for natural gas are announced, thus permitting normal industry gas purchasing activities to resume.

Major increases in natural gas field prices are anticipated during 1973. The Alberta Government has announced that this will have little impact on the Alberta consumer as the cost of Alberta gas delivered to Alberta consumers is, through a provincial rebate arrangement, to be maintained at a lower level than prices for Alberta gas exported from the province.

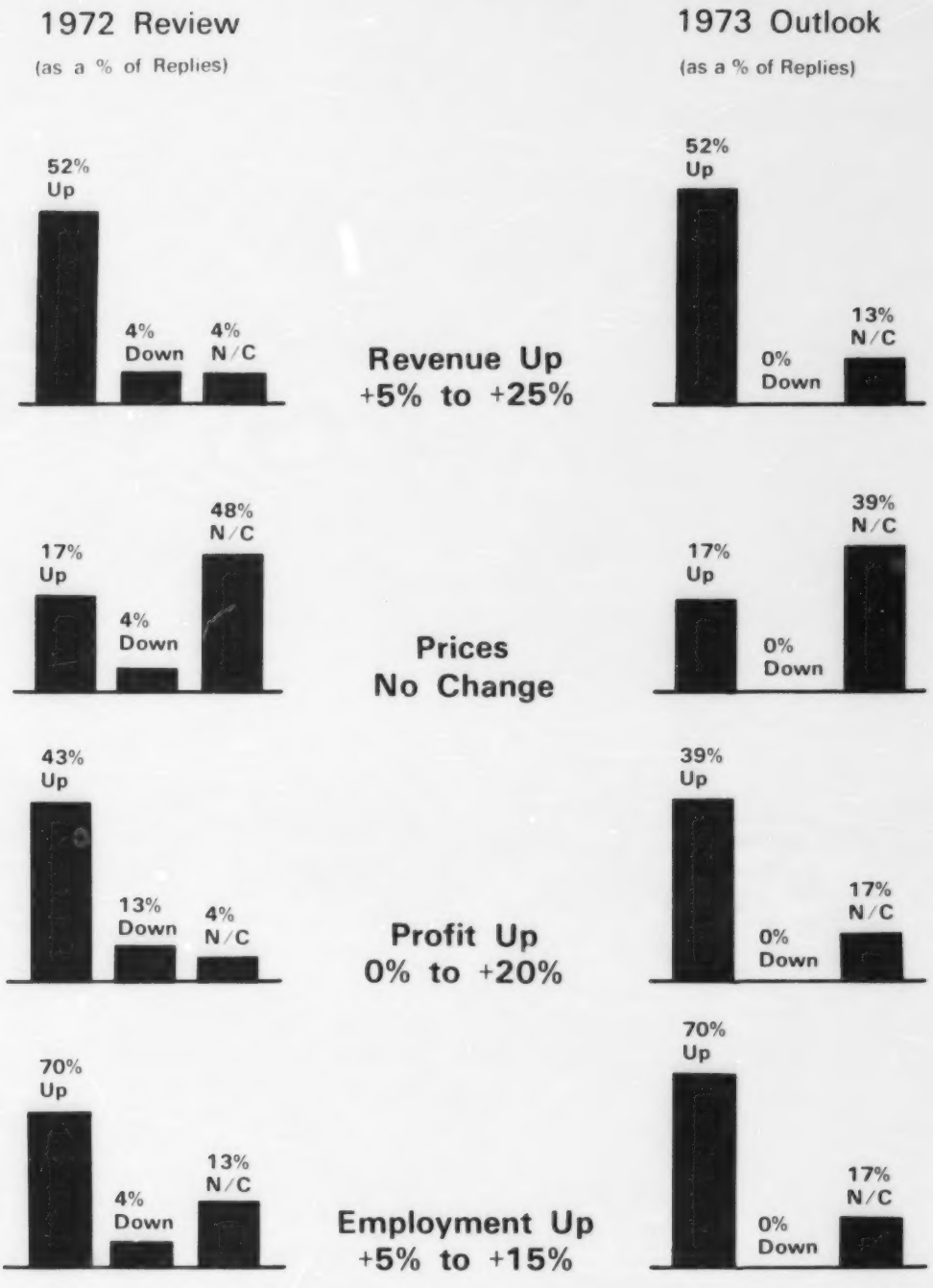
It is expected that new government policy on natural gas distribution systems for rural areas will have been fully defined before the spring of 1973, with the consequential effect of substantially increased rural gas distribution activity.

Severe pressure on wage rates continued in 1972, but labour peace was maintained in the gas distribution industry. In this industry, it is expected that 1973 wage rates will average about 8 percent higher than in 1972.

The level of gas sales is primarily dependent upon two factors -- economic activity and severity of climate. Even though 1972 was a year with considerably colder than normal temperatures, thus causing a substantial increase in gas sales for heating purposes, real growth in gas sales of the major gas utilities, expressed on a percentage basis after eliminating the effect of this colder than normal weather, increased by approximately 8.8 percent over the 1971 level. In 1973, a real increase of about 7.9 percent . . . is expected.

In general, it is expected that from the viewpoint of economic activity and growth, 1973 will be approximately equivalent to 1972 -- in other words, a healthy year with generally favourable results."

Investment, Finance & Other Service INDUSTRIES



Investment, Finance and Other Services

The prospects for sales revenue in 1973 are positive as reported by the majority of respondents in this industry. Prices are expected to remain stable, with profits expected to increase by between 10 and 20 percent. Employment will approximate 1972 levels.

The sources of optimism for this group of industries are exemplified below by an official of an Alberta Trust company and J. R. Thomson, Executive Manager, Calgary Stock Exchange:

The Trust company official stated that:

"Certainly the business environment in Alberta is very positive. Our major industry appears headed for an outstanding year and government attitudes are constructive.

Perhaps the largest single new positive effect on our industry will result from tax reform, which will cause more and more people to seek assistance in both planning and handling their financial affairs."

Mr. Thomson reported that

"During 1972, approximately 25 percent of the exclusive Calgary listings, co-listed on other Exchanges, accounted for over 60 percent of the nine million share volume decrease from the 1971 figures.

Other loss of trading was directly attributable to the uncertainties and confusion visited upon the petroleum and natural gas industry.

One of the principal objectives of Calgary as a regional stock exchange is to encourage the growth and maturity of listed companies to a level of acceptance on the senior exchange. However, the bulk of companies co-listing during the last year, following the usual pattern, did so in order to facilitate the raising of capital which had been unsuccessfully attempted in this province.

With the encouragement and assistance of the Alberta Securities Commission and other government officials, the Calgary Stock Exchange reached a most satisfactory agreement with the Toronto Stock Exchange whereby:

Calgary trades and quotations are now carried on the Toronto ticker tape which is displayed in four times as many brokerage houses as any other exchange;

This information is picked up by the Ultronics Systems Corporation and keyed into their stockmaster enquiry units, of which there are over 1,000 in Canada alone;

Calgary clearing and settlement of trades will be incorporated into a pilot project which will create a facility for clearing and settling at such location as a member may desire, without the involvement, costly to the member, of creating local clearing facilities; and

The incorporation of Calgary data into the Toronto Stock Exchange's computer system.

This tremendous co-operation on the part of the Toronto Stock Exchange is expected to foster a sound investment climate based on adequate dissemination of information and availability of working capital for locally oriented and other junior companies. It is doubtful whether there has ever been such an opportunity for the facilities of the Exchange to contribute to the long range development of this Province. The ratio of dollar value of industrial trading to the total figures continues to increase yearly (1972 industrial dollar value is expected to be in excess of 20 percent of total volume and, for the first time, will take second place only to oils).

Should these projections be fulfilled the need to co-list in other Exchanges in order to obtain capital should diminish. It is interesting, and encouraging, to note that since the announcement of the agreement with Toronto Stock Exchange some two months ago, none of the Calgary listings has co-listed on another exchange for this purpose. As well, applications for membership in the Exchange have been received in significant numbers from investment houses and brokerage firms throughout Canada, which are actively interested in the primary capital market. Previously, no such applications had been received for over five years.

The oil and gas industries retain their importance in the local economy. They are subject to many uncertainties the solution of which can be expected to cause anguish in one quarter or another. Nevertheless, the willingness of the provincial government to establish reasonable policies of benefit to the economy as a whole, appears to be factually demonstrated by the manner of their presentations, seeking reactions from various segments of oil and gas industry. It is generally accepted that the resultant policies, although presently uncertain, will materially contribute to encouragement of exploration and development and provide growth potential for immediate and long range establishment of secondary industry.

The variety of expert economic opinion is indicative of the inexactness of the science to the extent that, to some

degree, expert opinion may influence rather than forecast economic change. Subject, therefore, to no drastic anti-inflationary measures being taken during 1973 and subject to recognition that the regional requirement for foreign capital is not necessarily identical to federal requirements, the forthcoming year is anticipated to be one of greater encouragement, stability and growth than the Exchange has experienced during the last ten years."

G. H. Lennard, Vice-President and Regional General Manager, Canadian Imperial Bank of Commerce elaborated on the prospects for Alberta's financial sector in 1973:

"An aggressive lending attitude by the chartered banks, along with a 15 percent increase in the money supply this past year, has made funds available for expansion in all sectors of the provincial economy.

Buoyant conditions in Alberta are reflected in the growth of natural resource development, industry and commercial enterprise. Improved cash receipts by the farmers provided by increased international grain demands along with better prices and a strong livestock market has enhanced the position of associated industries of the agriculture sector. This increased income has spilled over into retail and consumer areas with favourable increases in volume recorded in that area of the economy.

With an anticipated 11 percent to 15 percent increase in the money supply during 1973, there should be no hesitation in the momentum experienced this past year. Nationally there is a prediction of some softening in the construction industry, particularly in the housing sector, but we believe Alberta will be an exception to this with the demand being supplied by the steady increase in population. The availability of money will allow expansion in all areas of the provincial economy."

Mr. J. V. Hunt, President, Hunt Real Estate Corporation Limited, of Calgary, indicated that the commercial real estate outlook is for growth:

"The real estate business in 1972 underwent a good many changes in Calgary. There were an unusual number of business transfers into Calgary . . . which created a very high demand for housing. As a result the price of housing was forced to very high levels, and the supply of re-sales and new housing was very short.

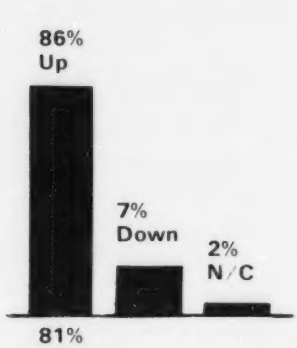
The influx of new salesmen into the real estate business, with a shortage of supply, created a great deal of competition for listings and this resulted in the decrease of income from listings and sales in 1972. The commercial business was quite good during the year.

The 1973 outlook for commercial, I believe, will be active once again, and for the first quarter of the year I expect that shortage of supply in housing will continue. Prices will level off a little towards the latter part of the year as there will be ample first and second mortgage money available."

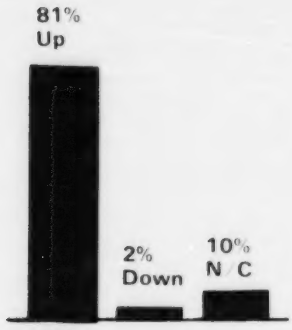
Trade

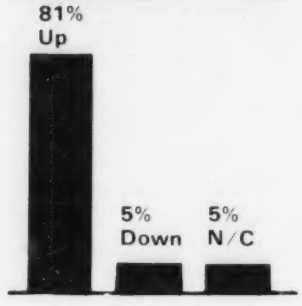
1972 Review
(as a % of Replies)

1973 Outlook
(as a % of Replies)

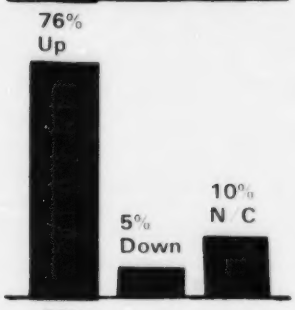


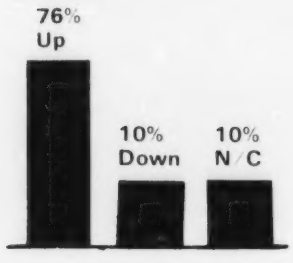
Revenue Up
+5% to +10%



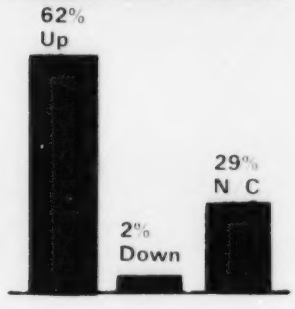


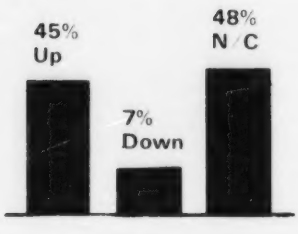
Prices Up
+4% to +6%



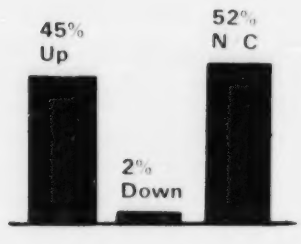


Profit Up
0% to +10%





Employment Up
0% to +5%



Trade

Retail trade in Alberta in 1972 was forecast to increase by 10 percent over 1971. However, favourable consumer spending led to close to a 15 percent increase for the entire year.

Prospects for 1973 indicate that consumer expenditures on goods and services should again be in excess of 10 percent. An officer of a large retail firm in Alberta discusses this trend:

"Retail sales are tied in to a general extent on the economic activity in the area we operate. An active construction industry during 1972 created considerable spending power and this, tied in with good agricultural income and a fairly high level of employment in northern Alberta (particularly in urban areas) kept business on a healthy basis.

Prospects for 1973 appear to be good, although as costs rise and manufacturers, processor and distributors pass these on in the cost of merchandise to us, we can expect higher food costs.

One category which is of particular concern is meat prices and our costs have risen substantially since 1971. Prospects for any lowering of prices in 1973 do not appear too hopeful at present.

In spite of the fact that the finger is always pointed at the retailer when higher food costs are mentioned, we actually have very little control over food prices. The only area where we contribute is in our percentage markup to cover operating costs. . . . With higher volume and increased efficiency, we have been able to maintain this during 1972 and expect to keep it at its present level in 1973."

In the general merchandising field, a good year was recorded for sales in 1972 and the outlook is optimistic for 1973. One major retail store manager elaborated:

"The buoyant consumer market which has been experienced in 1972 is forecast to carry over into 1973.

Significant sales increases occurred during the year in the food and durable merchandise areas. These increases resulted from a combination of prices and expanded volume.

We anticipate that consumer demand in 1973 will again embrace all facets of the merchandise spectrum, resulting in further sales gains.

However, increased market penetration by national chains, discounters, and catalogue houses will dilute the market. The increased competition will create pressures on prices, gross margins and profits. These pressures, combined with the present trend toward longer store hours, plus higher labour costs, represent the problem areas facing the retailer in 1973.

On the positive side, increased personal disposable income and readily available consumer credit provide a strong base for the retail industry in the coming year. We look forward to a significant gain in sales and a moderate increase in profit."

Another retail store manager reported that:

"1972 saw us build a new store . . . in a great city market area and this coupled with . . . an upswing . . . in economic trends which began in April have produced one of the best volume years ever. On the other hand, increased expenses in all areas have eaten up most of the profits from the increased volume so profit dollars are only slightly ahead.

We expect a continuing rise in sales through 1973, but we will be hard put to improve profit without very rigid expense controls."

Expectations for the home improvement and lumber markets are for continuing healthy sales after an excellent year in 1972. Mr. R. Legate, General manager, Prudham's Building Supplies discussed the prospects for 1973:

"In spite of the unemployment/inflation situation in Canada, the Alberta economy was stable during 1972 .... This instilled confidence in the purchasing public, which in turn was indicated in their increased spending.

Our main concern at this point is that inflation has hit strongly in the building supply industry due to a lack of supply of materials and labour costs. This in turn is bound to affect the purchasing ability of our consumers, who will eventually decide that prices are becoming unrealistic....

On the other side of the coin . . . the building supply industry . . . has definitely developed a modern merchandising philosophy which has been long in coming. This philosophy will undoubtedly make our merchandise much more attractive to our consumers than has been in the past and should be of great benefit to our particular sector of the retail market. We refer here specifically to the large building supply supermarket being built or contemplated for our province...."

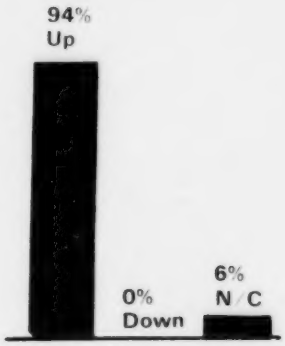
In review of their firms in 1972, 86 percent of the respondents polled in this industry indicated increased sales revenue over 1971, and fewer expect increases again in 1973. Price increases are expected, but the increased revenues are not expected to be reflected in increased profits. Employment will remain steady to 1972's performance.

To enable retail firms to maintain their sales in 1973, nearly 30 percent of respondents expect to invest in increasing efficiency and expanding facilities. The bulk of this financing is expected to come from retained earnings, with the difference provided by lending institutions.

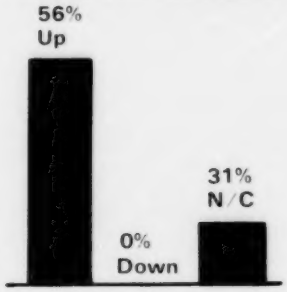
RECREATION & TRAVEL INDUSTRY

1972 Review

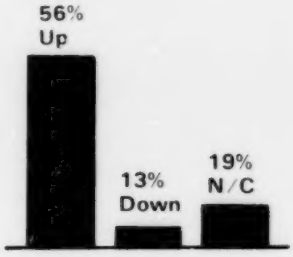
(as a % of Replies)



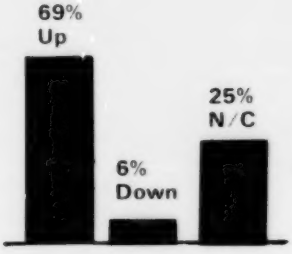
Revenue Up
46% to +15%



Prices Up
+3% to +8%



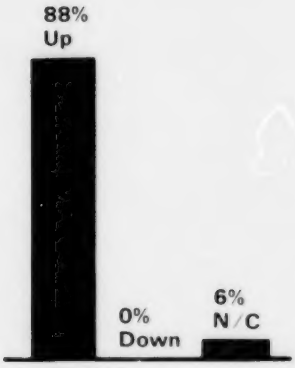
Profit Up
+3% to +25%

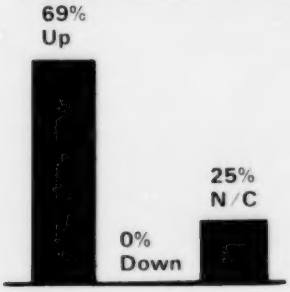


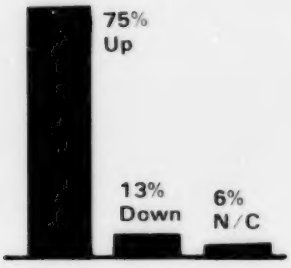
Employment
0% to +3%

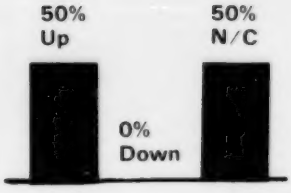
1973 Outlook

(as a % of Replies)









Recreation And Travel

The recreation and travel industry in Alberta in 1972 enjoyed increased sales revenue, as reported by over 90 percent of respondents. The same group of respondents anticipate gains again in 1973. Profit increases are expected by the majority of respondents in 1973, in spite of anticipated price increases of between 3 and 8 percent. Capital expenditure increases are expected by one-half of the respondents, while three-quarters of the group indicated that employment would increase above 1972 levels.

The hotel industry experienced a good year in 1972, according to the Alberta Hotel Association President, Mr. J. P. Belland:

"The hotel industry has experienced a productive year. Convention business has increased approximately ten percent; beverage sales are down in some areas, but this has been offset by the advent of liquor and wines in the beverage rooms. These advances, however, have been offset by severly increased operating costs. We are actually caught between inflationary costs and a price squeeze of control prices in most areas of the beverage sales. Construction of hotels in 1972 was not startling, but eight new hotels are projected in 1973 for . . . Edmonton and Calgary, with the addition of huge convention facilities and approximately 1,500 more rooms . . . "

The general manager of the Chateau Lake Louise, Mr. E. Balderson, reports:

"This past summer season we operated at capacity for the months of July and August. The inauguration by the major airlines of attractive promotional skiing packages last winter resulted in unprecedented numbers coming to this area. It is anticipated that these numbers will show a further substantial increase in 1973. Whereas the physical facilities were available to handle the demand, serious difficulties were encountered in obtaining suitable qualified personnel to provide the services required.

It is anticipated that business will continue to show a steady increase in 1973; however, some concern is being shown over increased costs, particularly labour in the gratuity earning field, and care must be exercised not to price our products out of the market place."

Interprovincial and international travel orginating in Alberta was strong in 1972 and should increase in 1973, according to Mr. C. Powell, President, Powell Travel Service Limited:

"1972 surpassed all previous years in business and every indication points to a further increase in 1973. However, many thorny issues are up for review in the airline industry. There will again be at least one, but probably two strikes. Curtailment of postal services also greatly affects our industry as we are dependent upon mail delivery both outgoing and incoming. . . .

An airline strike entails an enormous effort in arranging alternative itineraries with substantial loss in gross dollar volume and profits. . . .

(There are). . . approximately 35 (travel agencies) in the City of Edmonton, and there will be more. This is an indication of the continuing growth of our industry . . . without question, every indication points to a healthy and buoyant 1973."

Mr. D. Johnson, Executive Vice-President, Calgary Tourist and Convention Association, indicated the optimism held for this industry in Alberta:

"For this city, the 1972 first-time spending of tourists and convention delegates . . . totalled . . . at least $80 million . . . based on 4 million tourists and over 50,000 conventioneers.

1973 is expected to show an increase of 7 percent, and while such a percentage is relatively small when applied to the millions who come, it represents a very substantial number of visitors and dollars spent.

The optimism expressed comes from confidence in the aggressive promotion and publicity policy of the Association . . . greater efforts in the same area on the part of the Alberta Government . . . helpful campaigns by transportation companies, hotel operations, etc . . . and other relative factors such as increased leisure time, more spending money available and greater mobility."

Appendix

Definition of Terms

Definitions and explanation of terms pertinent to proper interpretation of any figures contained in this report are listed below:

Average: Simple average of replies, responses.

N/C or No Change: Respondent indicates no significant variance in indicator i.e. (a 0% change).

Mid 50% Range: The mid 50 per cent range of replies deletes the upper and lower 25 percent of responses (or an upper and lower quartile deletion).

% of Replies, or % of firms responding: Statistics are based on total replies (even if a respondent leaves a blank space for his response).
Therefore, in cases where the total replies contain "blank" responses the increase, decrease, and N/C statistics will not add to 100 per cent.
Note should be made of the concept, **AVERAGE**, which refers to the unweighted average of responses. Many readers will interpret the simple average to include expected total industry performance. Therefore, caution was exercised to use averages only when it was judged that the sample content was representative of the industry. To further qualify and to show the varied responses, a mid 50 per cent range has also been shown.

For further clarification on any aspect of this report, please direct your questions to:

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Department of Industry and Commerce,
Room 1629, Centennial Building,
Edmonton, Alberta.
Attention: K. J. Patterson
Economist